IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 12 CR 409
	)	
ERIC A. BLOOM,	)	Chicago, Illinois
	)	March 25, 2014
Defendant.	)	9:00 a.m.

VOLUME 18
EXCERPT OF TRIAL PROCEEDINGS
BEFORE THE HONORABLE RONALD A. GUZMAN AND A JURY

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(The following is an excerpt of report of proceedings:)

THE CLERK: 12 CR 409, United States of America v. Bloom.

MR. HISTED: Good morning, your Honor. Cliff Histed and Patrick Otlewski for the government.

MR. POULOS: Good morning, your Honor.

THE COURT: Good morning.

How long do you think you'll be?

MR. HISTED: I'm hoping not to exceed an hour, Judge, probably less.

THE COURT: Okay.

The exhibits, are we all squared?

MR. POULOS: I think we're all squared away.

MR. OTLEWSKI: Yes, your Honor.

THE COURT: Okay. And the last thing is the transcripts.

MR. POULOS: Your Honor, we object to the transcripts going back --

THE COURT: Okay.

MR. POULOS: -- at this time. The instruction has been prepared. If they want them, obviously they'll get them.

THE COURT: All right. Then we'll be out at 9:30, bring the jury out, commence the final closing.

MR. HISTED: Thank you, Judge.

THE COURT: Thank you.

(Recess taken.)

THE COURT: Will you be using the prompter?

MR. HISTED: I'll be using the document camera here, your Honor, the Elmo.

THE COURT: I think that's where we're at.

Ready for the jury?

MR. HISTED: Yes.

MR. POULOS: Yes.

THE COURT: Let's bring them out.

(Jury in.)

THE COURT: Good morning, ladies and gentlemen. Welcome back.

The Court recognizes the government for its closing rebuttal.

MR. HISTED: Thank you, Judge.

REBUTTAL ARGUMENT ON BEHALF OF THE GOVERNMENT

BY MR. HISTED:

Ladies and gentlemen, make no mistake, the way that man ran Sentinel Management Group during the last few years of its existence was an outrageous scam. This defendant betrayed and lied to his customers, and he lied about protecting the money that they had entrusted in his care. He lied on the Sentinel Web site. He lied in the investment management agreement. He lied in the so-called segregation letters. He lied on a daily basis in the daily account statements that

were sent to the customers. And, yes, folks, he lied directly to their face when he met some of these customers in person.

This is not a case about mismanagement. This is not a case about hindsight scrutiny of business decisions made under tough circumstances. This is a case about the defendant's long-running scam and his scheme to defraud his customers, a scam that started years before the financial crisis.

Let me just be blunt. That man ripped off his customers. And we have absolutely proven that beyond a reasonable doubt in this case.

Before I go any further discussing some of the evidence with you, I want to share with you some of the jury instructions that we anticipate Judge Guzman will give to you. Yesterday some of the -- some of the instructions were shown to you by defense counsel, but I'm going to show you some right now to sort of frame the way we should be thinking about the evidence that we see in this case.

Ladies and gentlemen, you've heard a lot about good faith yesterday. And you were shown portions of the good faith jury instruction that we anticipate you'll get. I believe Mr. Campbell read the first and second paragraphs to you yesterday.

I want to call your attention to the third paragraph, which says, A defendant's honest and genuine belief that he

will be able to perform what he promised is not a defense to fraud if the defendant also knowingly made false and fraudulent representations.

Do you understand, there can be no good faith defense for a defendant who knowingly lies. Those two are incompatible ideas. And I'm going to talk to you about some of the defendant's lies as we go on a little bit later this morning.

It's important also for your consideration that in considering whether the defendant has proven a scheme to defraud -- and that, folks, is what we have alleged here -- the government must prove that one or more of the false pretenses, representations or promises or omissions or concealment of material facts charged in the indictment, we must prove them beyond a reasonable doubt. But the government is not required to prove them all. This is an important point.

Give the weight -- give the evidence whatever weight you think it deserves, but use your common sense. I'm going to be calling on you to use your common sense. You should use your common sense. And you should bring to bear your everyday experience when considering the evidence.

People sometimes look at one fact and conclude from it that another fact exists. This is called an inference. You are allowed to make reasonable inferences so long as they

are based on the evidence. And I raise that point because yesterday I think Mr. Campbell might have left you with the misimpression about the things that the government does and does not have to prove in this case.

You may recall comments such as, if there's a tiny little hole somewhere over here, the government has utterly failed to prove its case. That is wrong. That is misleading. We must prove one of the false representations in this case. We need not prove them all. And you are allowed to make reasonable inferences. You are allowed to look at the evidence in the context of your own day-to-day life and make reasonable inferences from that evidence.

I will read this one for you: An offense may be committed by more than one person. A defendant's guilt may be established without proof that the defendant personally performed every act constituting the crime.

Keep that in mind when we talk about who gave directions to whom. Yesterday you may have been left with the misimpression that if the defendant did not personally do every single act that constitutes a crime, he can't be guilty. That is not true. It is not required that the defendant personally sat down and typed in false account rates on the account statements. Though, certainly he did. It is not required that he personally do every single thing if he directs others to act on his behalf.

Any person who knowingly aids, counsels, commands, induces or procures the commission of an offense may be found guilty of that offense if he knowingly participated in the criminal activity and tried to make it succeed.

In other words, if you induce others to commit a crime and you do so knowingly, you can be convicted of that crime.

If the defendant knowingly causes the acts of another, as I said, the defendant is responsible for those acts as though he personally committed them. But the instruction goes on to say that, of course, you can't be found guilty if you have no knowledge of the crime.

Just a few more of these, folks. They'll be important as we go forward.

A person acts with the intent to defraud when he acts with the intent to deceive or cheat another person in order to cause a gain of money or property to the defendant or another or to cause the potential loss of money or property to another or to expose another person to a substantial risk of loss of which that other person is not aware.

And, finally, I'll direct your attention simply to the highlighted portions. Investment advisers owe fiduciary duties to their customers. These duties include an affirmative duty of utmost good faith and full and fair disclosure of material facts, although simply failing to carry

out your duty does not in and of itself constitute a criminal offense.

All right. Now that we've got some of these bedrock principles, I want to point out to you that every time you heard the word "good faith" yesterday -- that's good faith; that's good faith. Over and over you heard that -- that drum beat upon. It was not made clear to you that that is not available to somebody who lies. And in this case, that's what happened.

Yesterday you were shown portions probably for the first time of the indictment. I want to call your attention to two paragraphs of this indictment because they'll be very important to your consideration.

Paragraph four says, It was further part of the scheme that the defendants Bloom and Mosley misappropriated securities belonging to customer portfolios by using them as collateral for a loan that Sentinel obtained from the Bank of New York to purchase millions of dollars worth of high-risk, illiquid CDOs from Firm 1 and Firm 2 for the benefit of Sentinel's House Portfolio -- for the benefit of Sentinel's House Portfolio -- without disclosing to Sentinel customers that the securities were being used in this manner.

Then later on, down in paragraph five, The defendants employed an undisclosed trading strategy for the House Portfolio that included extensive leverage and a high

concentration of illiquid and high-risk securities that was inconsistent with the representations made to customers.

Why have I pointed that out to you? All throughout this trial, including yesterday afternoon, you heard constantly this argument made, There is no evidence whatsoever that Sentinel bought inappropriate securities for customer portfolios.

Folks, we never took that on. That has never been a part of the case. Every minute of time we spent on cross-examining witnesses about that issue, about whether securities were suitable for customer portfolios, every minute of time we heard arguing that point was a complete and utter waste of your time and it misdirected your attention and your energy. It is one of the many ways that the defendant has put up a smoke screen in this case, hoping that you would get lost.

MR. POULOS: Your Honor, I object to that. It's an improper attack on defense counsel.

THE COURT: No, it's not an attack on defense counsel. It's an attack on defense strategy, which is allowed. Overruled.

MR. HISTED: Thank you, Judge.

THE COURT: And let me assure the jury that you should not take anything said by the attorneys as an attack on each other. That is not allowed.

MR. HISTED: Thank you, Judge.

BY MR. HISTED:

Let's talk about some of the defendant's lies, the lies that completely gut his so-called good faith defense. The defendant did not act in good faith, and we ask that you give no weight and no credit to those assertions.

First of all, he lied on the Web site. Do you remember the part of the Web site where it says, How can we deliver investment gains without taking excessive risk? And then there were four different points, bullet points, beneath that where the defendant purported to tell people how they could generate that investment return without risk -- without excessive risk.

What is not found on that Web site is the discussion of leverage. Leverage is the way that they delivered the investment returns, not the other four ways.

Now, we're not here to say that they were required to disclose the use of leverage on the Web site itself. But where you tell somebody a half-truth, pretending to tell them the entire truth, that is a lie. The defendant could have remained silent on the Web site about leverage, but instead he chose to take on the issue. He answered the question that people wanted to know: How can you deliver these investment returns without taking excessive risk? And by not saying leverage, which was the truth, when posing that question, he

was telling a half-truth. And a half-truth that masquerades as the full truth is a lie.

And I think that's a matter of common sense. Right? If you want to know something from somebody and you ask them to tell you the full truth and they tell you only half of the truth, knowing that you need the truth, I think we all know that we feel as though we've been deceived. And that's certainly the case that happened here.

And while I'm on the subject of telling the truth, just remember -- taking you back to that jury instruction that I just showed you -- the defendant was an investment adviser. Right? That's a role he took upon himself. He chose to become an investment adviser to take advantage of the status and the business opportunities that come along with that. So he decided to register with the Securities and Exchange Commission. And when he took on the role and the responsibility and the benefit of becoming an investment adviser, he took on this fiduciary duty.

And fiduciaries like the defendant, as you saw from the jury instruction, have an utmost duty of good faith, an affirmative duty to give full and fair disclosure. Right? Fiduciaries are not allowed to hide behind fine print is the point I'm trying to make. Fiduciaries like the defendant are supposed to go out of their way to tell the truth to people when those people entrust their money to them in their role as

a fiduciary.

So with that idea, let's go back to the Web site. Also on the Web site, we saw documents called portfolio attributes. You've seen these documents many times in this case.

This portfolio attributes document happens to be dated June 30th, 2007, but you saw many iterations of this throughout the trial. You've seen some from 2005, 2006 that the defendant e-mailed to some of his customers. This document, folks, is another lie. It is an affirmative lie because by now you've heard the evidence that they manipulated the interest rates, Mr. Bloom and Mr. Mosley, that they reported on a daily basis to their customers. That has been clearly established. And I'm going to talk more about that later.

But you heard Jeff Logan testify that the same data, the same information that was used to create those phony and false -- those fake account statements was then imported into documents like this. So anybody who went to the Sentinel Web site and looked at these graphs would be falsely led to believe that Sentinel's 125 Portfolio had outperformed the competition. You didn't have to be a customer to be exposed to this falsehood. Anybody who went to the Web site would see it. And then, additionally, when they e-mailed these to the customers, that was just one of the many sorts of lies that

I'm talking about here.

The defendant lied on the investment agreements themselves. I'm not going to pull out one. You've seen dozens and dozens of those. But you've by now become familiar with this language. Sentinel shall not own nor have any interest in funds or securities in the account or of any other funds or securities in which the client has a beneficial interest. In this important pledge that was made to every single customer, on every single investment agreement going back at least to the '90s and probably before, this false statement was made. And it is false because, as we know, the defendant pledged his customers' securities as collateral for a loan that the House Portfolio, that his portfolio, used for his benefit. And when you pledge your customers' securities as collateral for your own benefit, you cannot say to them, Sentinel shall not own or have any interest in your funds or in your securities. That's just one of the lies that thread sort of throughout this entire case.

He lied on the Form ADV. Do you remember that Form ADV? We've seen multiple, multiple iterations of that. You may remember this familiar language, The registrant may use repurchase/reverse repurchase agreements and/or bank loans as part of its investment strategy or for liquidity purposes.

No. No. Sentinel may not use it. Sentinel was using leverage. And this is one of those half-truths that I

was telling you about before. When you pretend to disclose facts to somebody and you disclose only half of the truth or suggest the possibility of a truth, you are lying. The Form ADV that you saw over and over was a half-truth designed to mislead. There is nothing in that form that tells customers in the 125 Portfolio, hey, folks, we are using leverage; we are. It doesn't say how much or how often or in what manner. And that's what the people wanted to know. That was business critical information for the customers of Sentinel; are you using leverage and, if so, how.

The financial statements. Time and time again, your attention has been directed to these audited financial statements that Sentinel put out; and they held them up as examples of disclosure of leverage. Folks, you can scour these audited financial statements to your heart's content and you're never going to see any disclosure to a customer in the 125 Portfolio that their securities are being used as collateral for the loan. You're never going to see a disclosure that their money is put at risk. You're never going to see a disclosure that talks about the 125 Portfolio.

And not all customers saw that. Right? Some of the customers routinely requested the financial statements and they got them and they looked at them and were still confused. And I'll talk about that in a minute. Others never got them at all. You can't hold out a document as a disclosure that

you've made to your customers if you don't give it to the customers. The response might be, well, some customers asked for them and others didn't. But just -- you can't just not give a document as a disclosure to a customer and then later say it was available there if they had asked for it.

Another lie that the defendant told was in these so-called segregation letters. You've seen several copies of these, several different versions.

This is Government Exhibit 706. This is a letter that the defendant signed in the fall of 2006 for a customer called Fortis. And in this letter, the defendant said, I acknowledge that the funds -- customer, Fortis -- that you are giving me are segregated futures customers' funds. And I promise to treat these funds separately, to treat them in accordance with the CFTC rules and regulations of the Commodity Exchange Act. And then the defendant signed that. Again, it's dated up at the top August 2006. But I believe it was actually effectuated in September, according to the fax heading.

Why is -- why does this matter? Why do we care about the seg letter? Do you remember what else was happening in the fall of 2006? During the time that the defendant signs this letter and says to Fortis, I will keep your money separate, I understand what the rules are, I understand what the regulations are, the defendant was, in fact, already using

customer funds as collateral for his own trading loan. He just was.

Let me show you Government Exhibit 603. You saw this during the trial. This is around the same time period that the chief financial officer, T.C. Arana, was discussing this issue with the defendant. This e-mail is dated October 19th, 2006. And in the e-mail, T.C. says, Specifically to reiterate that we do not want to be using customer assets to secure the house loan and that perhaps hypothecating -- or pledging -- customer SEG 1 securities for the loan may not be something that we want to be doing.

Okay. This was happening at Sentinel at the same time the defendant signed that segregation letter promising to keep those funds safe.

What else was happening? You saw the analysis done by the litigation consultant from Mesirow Financial. Sentinel had, as you know, an enormous loan from the Bank of New York. And according to this chart, Government Exhibit 1505, you can see that the house portion of the loan, the portion of the loan that Sentinel itself allocated to its own personal trading, was gigantic. Folks, look at this. In January of 2006, that loan was more than $100 million. $100 million that the defendant was using of its business loan secured at all times by the customer securities.

MR. CAMPBELL: Objection, Judge. That's false. That

is just false.

THE COURT: The objection will be overruled. And I will reiterate to the jury that they are to rely upon their own recollection of what the evidence was.

BY MR. HISTED:

Starting out at more than $100 million, going up, continuing on. You've seen the chart before. You'll have a chance to examine this in the back.

There was a portion of the Bank of New York loan allocated to the house. The defendant's own documents, the daily yield allocation sheet, showed that over and over and over again. I show you this document just to point out -- and this covers the time period that I was just talking about in the segregation letter. At the time the defendant signed this pledge, this promise to Fortis, an FC- -- an FCM, he knew at that time that he already was using funds belonging to customers like that for his own loan.

Putting aside these documents that I've shared with you, the defendant also looked some of these customers dead in the eye and lied right to their face.

Do you remember Rotchford Barker? He was the gentleman from Wyoming, the rancher who came out here. He met face-to-face with the defendant, looked him dead in the eye and told him, I want the most conservative investments you have, Mr. Bloom. I don't want any bonds that have a duration

longer than 90 days. Can you help me? And the defendant said, yes, we can do that. I will put you in a portfolio where that is the -- where those are the parameters. And we know that's not what happened.

You saw the account statement dated August 13th, 2007, for Mr. Barker. First of all, the bonds shown on that statement didn't have a duration of 90 days or 90 weeks or 90 months. They went out for years. They were these PreTSLs, CDOs, and other sorts of CDOs. And you also saw from the August 13th, 2007, account statement that 14 of the 16 securities on Mr. Barker's statement were pledged as collateral for the loan. That is not what Mr. Barker bargained for. And the defendant looked him in dead in the face and told him he would give him the most conservative investment possible. And we know that Mr. Barker didn't just misremember that when he was testifying. He had a very clear memory of it. And there is independent, contemporaneous, objective documentation that that's the case.

You may recall Government Exhibit 1203, which is an e-mail from the defendant to Mr. Barker where the defendant says on the second page, Rotchy, you had said you would like to stay inside 90 days, so I looked into municipal money funds and other short-term investments.

Mr. Barker knew exactly what he needed. This is documentation that he got what he bargained for or at least

that he was clear on what the defendant had promised him, although the defendant did not deliver on that.

MR. CAMPBELL: Judge, I have to object. That entirely misstates that document. That document says here's what you would get if --

THE COURT: No, no.

MR. CAMPBELL: -- you --

THE COURT: No, just make an objection. The objection --

MR. CAMPBELL: Misstates the evidence.

THE COURT: The objection is overruled. Again I instruct the jury that they are to rely upon their own recollection of what the evidence actually was and is and not on what the attorneys may say.

Proceed.

MR. HISTED: Thank you, Judge.

BY MR. HISTED:

Speaking of lying directly to victims' faces, do you remember Mike Maher? Mr. Maher was the chief financial officer of a company called Kottke Associates, which at the time was an FCM. Mr. Maher was one of the last witnesses who we called in our case. Do you remember he told you that he and his accountants drove out to see the defendant in December of 2005 at Sentinel's office. Mr. Maher was the CFO of the company; and it was the year-end, and he had his own

accountants with him. And he wanted to make sure that their own -- Kottke's own audited financial statements were in order. And a lot of Kottke's money was held at Sentinel, so the accountants wanted to kick the tires. They wanted to go see what Sentinel was all about.

They drove out to see the defendant in December of 2005 and sat down with him. And Mr. Maher and the accountants had a copy of the financial statements with them, and they asked the defendant questions. They said, Tell me how you keep our funds segregated. Tell me how you manage our cash. Tell me about this Bank of New York loan. And keeping in mind that in December of 2005, the defendant was already setting interest rates. And I'm going to pause here to show you some documentation as to that.

This is Government Exhibit 165. This is an e-mail you've seen before where Charles Mosley, in October of 2005, two months before Mr. Maher goes to see him, Mr. Mosley says, We raised the rates in Group 7 -- you'll recall that Group 7 is the 125 Portfolio. That's the portfolio where FCMs like Kottke were. We raised the rates in Group 7 by five basis points; however, we could only raise the SMG loan fee to .02. Then he goes on to talk about the rates and setting the rates. And the defendant responds back, Agreed. Okay.

Just simply establishing that by October of 2005, two months before the meeting with Mr. Maher, the defendant knows

he's already allocating the interest rates. In fact, you heard testimony from Crystal York that going back as far as when she joined the company, 2003, they had been setting these interest rates.

So as Mr. Maher and his accountants sat down in the Sentinel office with the defendant, the defendant said, Your funds are segregated. We keep your funds segregated. We know that you're an FCM. And they said, Well, tell us about repos. And the defendant said, We manage cash by sending out our excess cash and accepting securities as collateral for that; and then the next day, we return those securities and we get the cash back plus interest. And that was allowed. That's allowed under Rule 1.25, that sort of cash management technique. That's what the defendant said to Mr. Maher he was doing with his money.

The defendant did not say, Let me tell you what we do. We repo out your securities, we get cash, then we use that cash to buy more securities and create leverage in the portfolio. That was what was happening, but that's not what he told Mr. Maher when he was looked directly in the face and asked to account for how he uses the money. Mr. Maher said --

MR. POULOS: Your Honor, I -- Judge, there is no evidence that SEG 1 was using any form of leverage at that time.

THE COURT: Just make an objection. Don't make an

argument.

MR. POULOS: Judge, I --

THE COURT: Just make an objection as to the statement.

Your objection is noted. It is overruled. I have already instructed the jury that if anything the attorneys say contradicts or conflicts with what they recall the evidence is, they are to rely on their own collective recollection and ignore what the attorneys say.

BY MR. HISTED:

Your Honor, I'd like to call our attention here to Government Exhibit 301.

This is an e-mail dated October 2005 from Crystal York to Eric Bloom. And in the subject line she says, Here are the rates for today. And then there's an attachment. The second page of this document is one of these daily yield allocation sheets that we've become very familiar with. And if you look at the daily yield allocation sheet, you can see down here at the bottom, that, in fact, some of the loan was allocated to SEG 1, as I said.

Taking us back to the meeting with Mr. Maher. Mr. Maher asked about the Bank of New York loan and what use it was put to. According to the financial statements, that loan was used for liquidity purposes, meaning it was used to make short-term redemptions to customers who needed their

money right away and securities could be liquidated later and used to pay down the loan. In other words, the loan was used as a short-term financing mechanism. That's what the financial statements said. But what we know is that the Bank of New York loan was used for leverage. Right? That's been fairly well threshed out in this case. And the loan was very large and was getting very much larger. The defendant did not tell Mr. Maher, Mike, we're using this for leverage. He said we're using it for liquidity purposes only.

And you may recall that I asked Mr. Maher, what would you think if the defendant told you we're repo'ing out securities and getting cash. Just stopping right there, not even using the cash to buy more securities. Let's -- just stopping right there. And Mr. Maher said, I would not even understand why they would do that. Because repo'ing out my securities and then getting cash back would mean that they'd have to pay interest on that the next day, and that doesn't make any kind of sense, given my understanding about what Sentinel was doing. Mr. Maher thought stopping there, without the creation of additional leverage, was something that he was not comfortable with or didn't understand, let alone what the defendant was actually doing.

The point here is that when given the opportunity to come clean with a customer who came to him, who visited him, who had the financial statements in hand, who had his

accountants with him, the defendant lied to this person. People who lie cannot avail themselves of a good faith defense.

If the defendant had told the truth to Mr. Maher, this is what the conversation perhaps might have sounded like: Mike, just so you know, we're using leverage. We're taking your securities, we're pledging them as collateral for a loan. Is that all right with you? Maher would have bolted for the door. That was not what he bargained for with his customer segregated securities. If he said, you know what, we're allocating the interest rate. Mike, you know that account statement you get every day from us, we just decide how much interest we're going to pay you; and we take some of that interest from other customers, we take some of that interest from our House Portfolio and we allocate it to you in the way we see fit; and the interest may come from securities that don't comply with Rule 1.25. Mike, is that okay with you? Maher would have bolted for the door. And the defendant knew that, and that's why he lied to him.

If the use of leverage at Sentinel was so well disclosed, as the defendant would have you all believe, why is it that the customers didn't know? Right? Why didn't they know? How can you run a business using leverage and none of your customers know about something that you say is disclosed to everyone? Folks, use your common sense and your everyday

experiences. That makes no sense.

And when he says that leverage was fully disclosed to everybody, when the defense theory is that leverage was fully disclosed to everybody, how come Steve Stitle, their sales manager, did not know? How can Sentinel run a business where their sales manager himself does not know that leverage is being used in the SEG 1 portfolio? Here's why: Because they didn't tell anybody. Okay. They didn't tell anybody. Mr. Stitle testified that at the end of Sentinel when they had halted redemptions and the customers were clamoring for their money back, Mr. Stitle went to the defendant and said, you know, there's some folks out in the lobby who sure would like their money back; can we give them the securities -- we don't have the cash; can we give them the securities? And the defendant said, no, they're levered; they're encumbered; we can't give them back. And do you remember, Mr. Stitle was surprised. He said, What? How can that be?

Now, later during the trial, they showed Mr. Stitle some e-mails where it appeared that he was discussing leverage in the 125 Portfolio and he just copped to a mistake. He said, look, these e-mails were being sent to a hedge fund, not somebody in the 125 Portfolio; and I misspoke when I was talking about 125. I meant Prime. Okay. So they got him. But his testimony here was that he had no idea that there was leverage being used in the SEG 1 portfolio or in the 125

Portfolio.

Sentinel's customers, it has been pointed out to you, were sophisticated. They were players in the financial world. They were used to dealing with contracts, used to dealing with risky financial transactions; and so, the defense theory goes, they must have known that there was leverage being used.

But the victims in this case, the investors at Sentinel, had no way of knowing what was going on inside the company. Right? They didn't see Sentinel's internal e-mails. But you have. The people outside Sentinel didn't hear the recorded telephone calls. You have. Sentinel's investors didn't know the truth. But you do. Those victims were not required to forage around in boilerplate disclosures when their investment adviser was holding millions of dollars of their money and had important information that they wanted and to which they were entitled. And he cannot now blame the victims for not being careful enough, for not reading the contracts well enough. It was his job under the regulatory structure that he chose to make full disclosure to these victims. Eric Bloom did not act in good faith.

You'll recall that some of the victims didn't get any disclosures at all. It doesn't even matter whether the ADV was good enough. Some of them didn't get an ADV. Remember David Oulvey from SMW Trading.

MR. CAMPBELL: Objection, Judge. Objection. That's

just false, your Honor.

THE COURT: The objection is overruled for the reasons I've previously stated.

MR. CAMPBELL: Did I mishear? Did he say that customers didn't --

THE COURT: The objection is overruled for the reasons I previously stated. If you have an objection to make during opposing counsel's closing argument, simply make the objection on the legal basis. Do not reargue your case during your objection.

Proceed.

MR. HISTED: Thank you, Judge.

BY MR. HISTED:

While it is true that the investment management agreement contained a little clause in there that says, By signing this agreement, you agree that you got the ADV, the testimony from a couple of the witnesses said they didn't see it. At least they didn't remember seeing it. Right?

SMW had been a customer for years, and it signed up with Sentinel using the investment advisory agreement. You may recall that there was an older generation. The investment advisory agreement had no such disclosure at all. It just didn't have it. Later they changed it to put in this so-called disclosure. But when SMW signed up, there was no such provision in the contract. And Mr. Oulvey did not recall

ever getting the ADV, nor did he recall getting or asking for the financial statements. In other words, even if you believe the defendant, that this shrouded half-truth disclosure was sufficient -- and it wasn't -- some folks just didn't get it at all.

Same with Mike Maher. His company, Kottke Associates, had the older version of the investment advisory agreement, the one that didn't have the so-called disclosure language. And Mr. Maher had no recollection of ever seeing the ADV until it was e-mailed to him blindly on June 22nd, 2007. Right? Two months before Sentinel collapsed, he got this e-mail. Do you remember they e-mailed the ADV out to everybody on June 22nd, 2007, for whatever reason.

Even if you believe the defense theory that leverage was adequately disclosed in these forms and in these contracts, some customers did not get it. There was no disclosure as to them. And you can convict, ladies and gentlemen, you can convict, on the basis of the use of these folks' money without disclosing their leverage.

I call this next topic throwing people under the bus. Is there anyone that the defendant will not blame in this case? During cross-examination or argument, you have seen the accusing finger pointed at Crystal York; Jeff Logan; Matt Keel, the compliance officer, right, why didn't my compliance officer make me comply; T.C. Arana; Charles Mosley; the SEC,

whose auditors didn't check me well enough or never told me there was a problem; the CFTC; the NFA; the Bank of New York; and, yes, even his own customers in. That August 13th non-redemption letter, which we'll get to in a few minutes, you'll see the defendant even blamed his own customers for Sentinel's problems.

The defendant was the president and the CEO of Sentinel. He at times was its chief financial officer, its chief compliance officer, its chief trader. The defendant was Sentinel. For him to shift the blame in this case to anyone else is desperate and, quite frankly, pathetic.

Let's talk about Mosley. The defendant liked to blame Charles Mosley. Mosley was hired by this man. Mosley worked for this man. Mosley was a co-schemer with that man. And throughout the trial, you've heard this -- this -- about how Mosley inflated his bonus somehow; how Mosley was trading in the house account in a way that was advantageous to him. Do you remember, Charles Mosley got 10 percent of the gains in the house account as part of his contract, as part of his agreement with the defendant. This man agreed to pay Charles Mosley 10 percent of the gains in the house, not in the customer portfolios, but in the house. And you've heard evidence throughout the trial, in arguments, cross-examination and even in the defense case that Mosley was cheating the defendant; that he manipulated the cost basis of these

securities to get a gain for himself.

But what did the defendant do when he found out? Right? What did he do? Did he fire Mosley in January 2007 or February, March, April, May, any time while Sentinel was in business? No. Did the defendant pay him the bonus, the bonus of more than $400,000 that Mosley claimed he was entitled to; that the Sentinel officer said was obtained by fraud? Yeah, he paid him the bonus and kept him on the payroll. And now to point the accusing finger at Mosley as being the guy who has done everything wrong and the defendant has done nothing wrong here is, as I said before, desperate and pathetic. Every minute of time we spent in this trial cross-examining people about what Mosley did or didn't do or about the money he got in the house account was a waste of your time.

MR. POULOS: Objection.

THE COURT: Overruled.

BY MR. HISTED:

Blaming the auditors. Remember the argument from yesterday? The defendant acted in good faith because he relied on the auditors. Well, folks, guess what? There was no reliance on any auditor in this case. Okay.

As the judge instructed you in the beginning and I anticipate he'll tell you again, the defendant has no obligation to present evidence in this case, absolutely not. We at the government's table bear that burden of proving

beyond a reasonable doubt his guilt. No question. But the defendant did put on a case. That was also his right. He did subpoena witnesses, which was also his right. And he had the ability to bring people in here from the accounting firms if he so choose -- chose. Not one witness, not one speck of evidence has been presented to you -- evidence; I'm not talking about attorney argument -- that any auditor or any regulator ever knew of or blessed anything that the defendant did.

So when a claim is made to you that everything he did was okay with the regulators, that is 100 percent false, unsupported by the evidence in this case. And the evidence in this case is what must guide you, not speculation about what might have been or what should have been or what could have been. There is no evidence in this case that anybody from the government ever blessed the Sentinel business plan in terms of what's alleged in the indictment. Right? No evidence that anybody ever said, Your amount of leverage is fine with us. There's no evidence that anybody said, Your disclosure of leverage is good enough for us. There's no evidence that anybody from the government ever said, You know what, it's okay with us that you're manipulating the interest rates that you pay to these people, go ahead, we like what you're doing. Okay. There is none of that in this case. Let's just be very clear with this. That argument is a smoke screen. See

through the smoke.

Rule 1.25 and leverage. So that's been an issue in this case. Does Rule 1.25 permit the use of leverage? Four witnesses, four former investors sat in that chair, said they thought no. Right? These are folks, each of whom had about 20 years of experience in the field, people who worked for FCMs, people who currently work for FCMs, people who dealt with segregated customer funds day in and day out; and they all said, we did not believe that 1.25 permitted leverage; we do not use leverage when we deal with 1.25 with our own customer funds.

Howard Rothman from New York. David Oulvey from Chicago. Julie Streit from Minneapolis. Mike Maher from Chicago. Four different people, four different companies, they all said the same thing. Why is that? Why is that? Were they all wrong about the same topic?

Now, the defense claims that leverage is permitted under Rule 1.25 because their witness, Paul Bjarnason, said so. Do you remember Paul Bjarnason? He came and testified in the defense case. He's the guy, you might remember him, who said Rule 1.25 permits leverage because I said so or words to that effect. He acknowledged on cross-examination that the main rule, the main driving principle of 1.25 is to preserve capital, to preserve capital, and to maintain liquidity. That's counter -- that's counter to the use of leverage, which

is using borrowed money to trade. That's the purpose of the rule. It's written right into the rule. He read it right here.

He also conceded, as he must, that the word leverage appears nowhere in the rule. And then we talked about the sort of transactions that were covered by Rule 1.25; repos, and reverse repos. And you remember we asked him to explain that, and he described a repo and a reverse repo and said the way those transactions are discussed in the rule does not involve leverage. Now, he said you could create leverage if you did additional transactions beyond the wording of the rule, which, of course, you could do a lot of things if you go beyond the wording of the rule.

MR. CAMPBELL: Objection, Judge.

THE COURT: Overruled.

BY MR. HISTED:

Mr. Bjarnason was not credible. He was not credible. His testimony is contradicted by other equally knowledgeable people. He knew the Blooms back when he was working at the CFTC. He went to work for them and got paid tens of thousands of dollars as their consultant when he left the CFTC. And now he came here to say, Rule 1.25 permits leverage. You do not need to credit the testimony of Paul Bjarnason. And we respectfully submit that you should not.

There is simply no way for me in the time that I have

here to chase down all of the things that you heard yesterday afternoon during the closing argument. But I want to just pick out a few things and address them head-on.

It was suggested to you, how could the defendant not have good faith if he went out and hired a compliance officer -- right -- the fact that he hired a compliance officer is evidence that he had good faith. The question is not why did he hire a compliance officer. Okay. Sentinel had been around for almost 30 years. It was regulated by two different government bodies and another organization called the NFA. The question is why didn't he hire a compliance officer sooner. Right? Sentinel had to have complied with a variety of rules and regulations, complicated rules and regulations. Companies in that business have a compliance officer. The fact that he hired one after 25 years, a year and a half before the company exploded, is not evidence that he was operating in good faith. Right? The defendant himself was the chief financial -- or the chief compliance officer right up until they hired Matt Keel. Is that a good idea? Given the evidence we've seen in this case, I think the answer is clearly no. But the fact -- the mere fact that he hires a compliance officer is not evidence of his good faith.

Matt Keel did not see what the defendant saw about the way Sentinel worked. He didn't see the internal e-mails. He didn't have the ability to listen to the calls, and he

didn't listen to the calls. Matt Keel knew about Sentinel what he told him. Okay. The mere fact that you've got a compliance officer does not mean you're not committing a crime.

Other various topics. You were shown a document called Defense Exhibit 101-A, a so-called due diligence document that talks about leverage. Folks, there's been no evidence in this trial that any customer in the 125 Portfolio ever saw that document. Okay. Just because the defendant might have written a document for one guy at one time does not mean that he was making disclosure that was real, that was relevant to the people who needed it.

I just feel compelled to clean up another misimpression that may have occurred yesterday. This is a part of a transcript that you were shown yesterday, a transcript of a phone call, Government Exhibit 1412-T, for transcript.

Yesterday Mr. Otlewski in his presentation to you was quoting from some -- quoting some words from this telephone call. And then he was -- he was critiqued by Mr. Campbell later for not telling you the entire truth. That's what Mr. Campbell said yesterday; that we hadn't shown you the entire truth.

Here in the language, right here, which is where we quoted -- started quoting the call, talking about pulling

rates down slowly, Mr. Campbell said, look, the government didn't show you the paragraph right above it. Right? As though the government were hiding something from you. Where it says, All right. Well, I mean, pull down the other ones. I mean, get rid of the bank fee and the repo fee.

It was suggested to you that when we were talking about pulling the rates down, we weren't talking about rates paid to customers; we were talking about the bank and repo fees. That was the suggestion that was made.

Folks, just very briefly, I want to direct your attention to the paragraph directly above that where they clearly are talking about the rates paid to Group 7 and Group 10. Okay. We accurately quoted from this transcript that needed to be cleared up.

Customer securities as collateral for the house loan. Okay. Yesterday the argument was made to you that this document, Government Exhibit 134-N -- it could have been any one of these documents -- was evidence that the house part of the loan was collateralized by house securities.

This document was shown and -- like it was shown to Crystal York. You may or may not remember this part of it. But up here under security cost, you see a reference to $159 million for the house account. Okay. And the suggestion was made to you that the house had its own securities that was collateral for this part of the loan. Right? We say customer

securities were used as collateral for the house part of the loan. It was suggested to you yesterday that this document is evidence that the house had its own securities that were collateral for the loan. Okay? Not true. This says security cost. Right? All this number says is what those securities cost.

MR. POULOS: Your Honor, Jeff Logan said the exact opposite. I have to object. He is plainly misstating the evidence, Judge. I have to object.

THE COURT: Your objection is overruled for the reasons I have stated.

BY MR. HISTED:

You may recall that Mr. Poulos asked Crystal York a series of questions that were very similar and wanted her to say that this represented collateral for the house part of the loan. She did not say that. She said, no, that's not what that means. Let us be clear. The House Portfolio loan was secured by customer securities, not by house securities.

That is the point that was made to you in that e-mail that I showed you just a little while ago, the e-mail from T.C. Arana, where she said, Hey, boss, are you sure we want to be using customer securities as collateral for the house loan. Right? You just saw the e-mail. You heard her testify about that. That's what happened.

Another point that was brought up yesterday, how much

leverage is too much leverage. Do you remember the house account had about 20-to-1 leverage. And the defense was asking questions of the witnesses, well, that's not too much leverage, is it, the question was. And some of the witnesses said, no, in the futures world, in the world of futures trading, leverage of 20-to-1 is not uncommon. I think they pointed out Mr. Rothman said that. But you may call that on redirect examination, I said, Mr. Rothman, 20-to-1 leverage is not too much for the futures industry, correct? He said, That's right. But what about for a conservative cash manager whose job it is is to keep those funds safe overnight; is it too much leverage for that? He said, Yes. Yes. 20-to-1 leverage is too much for a conservative cash manager that promises safety, security and preservation of capital.

MR. CAMPBELL: Judge, objection. This is the house account.

THE COURT: Overruled.

MR. POULOS: It's not a customer portfolio.

BY MR. HISTED:

I'm just pointing out the questions that were raised yesterday.

Securities that were purchased that were unsuitable for customer -- customer accounts. You may recall that there was evidence, Government Exhibit 1525, Anne Vanderkamp from Mesirow explained this to us and pointed out that

approximately -- conservatively -- $80 million had been spent by Sentinel for these PreTSL income notes. You remember these income notes; they're not suitable for any customer portfolio because they have no rating. Right? These are the securities that have no rating and can't be put in customer portfolios. And, again, we never said they were. Right? The point here is simply that Sentinel never had $80 million. Sentinel never had more than $20 million, according to its own records that you've seen in this case. How does Sentinel buy $80 million worth of PreTSL income notes that it allocated to the house? I think you know the answer. It's a reasonable inference that they used the customers' money for that or credit secured by securities belonging to the customers.

This point is emphasized all the more by a defense exhibit. You may recall a witness named Greg Kyle. Greg Kyle was called by the defense to explain the quality -- the high quality of the securities that had been allocated to the customers. Again, we never had any quarrel with that. We never said that the customer accounts had improper securities. But in the course of doing his analysis, Mr. Kyle shared with us that as of July 11th, 2007 -- July 11th, 2007, a month before Sentinel went under -- Sentinel had $111 million worth of non-rated securities. Right? Now, that was sort of startling given that Mr. Poulos had cross-examined Matt Keel and had tried to get Matt Keel to acknowledge that all of

these securities that they had bought had been sold long before this time. And then Mr. Kyle comes out with this surprise. A month before Sentinel imploded, it had $111 million of non-rated securities. More surprising was that $25 million of those non-rated, unsuitable for customer securities had, in fact, been allocated by Sentinel to the SEG 3 customer portfolio. This is a defense exhibit. This is his analysis of the SEG 3 portfolio.

Sentinel used its customers' funds to buy securities for itself. Why? These income notes, as you heard from the testimony, threw off a lot of interest. They made a lot of money for people in the house account, the defendant and his family.

Setting the interest rates. I think we've covered this well. I'm not going to spend a lot of time with this. There is no doubt that this is what happened at Sentinel for years and years and years. Yesterday it was suggested to you that you should not base a conviction on ambiguous evidence. But you can base a conviction on overwhelming evidence. Folks, there is an avalanche of evidence that this is what they were doing.

You've got the e-mail from Charles Mosley to the defendant, which I just showed you, as far back as October of 2005 telling him where he had set the interest rates for the FCM group, Group 7. And then if you -- when you go back

and look at these exhibits, you're going to see, I respectfully submit, dozens of e-mails from Crystal York to the defendant telling him where the rates had been set. Okay.

You've heard testimony from T.C. Arana, who said she was aware -- she became aware that the defendant was taking -- or people who worked for him, people who were under his authority -- taking money from the SEG 3 customers and from the house and giving it to SEG 1. She testified to that. There was an e-mail. She showed -- she showed us an e-mail. Matt Keel also discussed that -- right -- multiple times with the defendant.

As if this were not enough -- the e-mails, the spreadsheets, the testimony from Crystal, from Jeff, from T.C. and from Matt -- as if that wasn't enough, and most certainly it is, there are the four telephone calls, the recorded calls. There are four recorded calls, two between the defendant and Charles Mosley and two between the defendant and Crystal York. Now, the defense challenged you to go back and listen to those calls. We join in that request. Please do. You will hear Crystal saying, Boss, I set this group here, I set this group there, is that okay with you. And after some back and forth and discussion and debate about how Sentinel needed to beat the competition and the defendant was worried that they weren't going to beat the competition unless they goosed up that interest rate, he said Yeah, go ahead and do that.

Listen to the call, the July 30th, 2007, call. There is an avalanche of evidence about rate setting. I won't spend any more time on that.

And, again, if you find that that aspect of the scheme has been proven -- and it most surely has -- you should convict. The scheme has been established; the scheme as to putting customer funds at risk by pledging them as collateral, the scheme as to setting the interest rates, abundantly proven. You've got ample evidence to convict right now.

Let's talk about the timing of the events, the timeline, the sequence of events. The timeline is a powerful tool. And the timeline is fatal to the defendant's claim of good faith in this case.

We know that by July 2nd, 2007, Sentinel was experiencing a lot of financial stress. Right? Couldn't send the wires out. Repo counterparties had pushed securities back and demanded hundreds of millions of dollars in cash. True, the defendant was off in Africa. So what? How many times have we heard, the defendant was in Africa; he couldn't possibly have anything to do with this. That's just silly.

First of all, you have recorded calls from the defendant while he's in Africa. So let's forget about that. And, secondly, even if he took a vacation from a long-running fraud, he can still participate in it. So let's just get this off the table. I was vacationing in Wyoming; I didn't know.

I was, you know, spending afternoons with my kids; I didn't know. That's nonsense.

But that's the timeline. July 2nd, we know from the recorded calls that he knew Sentinel was in dire financial straits. July 18th, his father takes out his entire stake, down to the penny, from the company that he founded. Phil Bloom took out his 5.6 million and his wife's 5.6 million, the defendant's mother. Took out all their money on July 18th.

Guess what happens on July 24th? A new customer, Man Financial, sends in $50 million. That's outrageous. That is outrageous to take $50 million from a brand new customer in the SEG 1 super protected customer segregated fund portfolio when the founder has just taken every dime of his money out of the company. That's a cash grab.

What else happens on July 24th? The defendant asked for a raise. Right? A raise. Do remember this e-mail, Government Exhibit 625? Down at the bottom, T.C. is talking to the defendant on June -- or July 24th, the same day Man Financial shoves its $50 million in. T.C. is talking about his bonus. They talk about the bonus. He says, Yeah, yeah, whatever. And on that note, can you give me a retroactive raise please to $200,000? It's ridiculous.

Sentinel was sinking like the Titanic. Except Captain Smith went down with the Titanic. This guy sailed off leaving the passengers on board and blaming them for

Sentinel's financial downfall.

Moving ahead in time. Things are getting stressful and hot. And that takes us to August 3rd. Do you remember the assertion made yesterday that the financial crisis really didn't hit until August 9th? That's the exact day, apparently, that the liquidity crisis started. And it was two business days later that the defendant voluntarily halted redemptions. That's the assertion that was made.

First of all, let's pause here and talk about voluntarily halting redemptions. Okay. How do you voluntarily not give your customer their money back? Okay. Is that something you just decide you can do? I mean, the notion that I voluntarily decided not to return my customers' funds is offensive.

But let's go back to the timeline. It wasn't August 9th that they were aware of their financial problems. They were aware of them long before then. You heard the calls. Long before August 3rd, which I'm about to discuss with you, they were discussing incoming customer funds. We need incoming customer funds just to pay the loan. Right? They knew they were having problems.

You were shown this stipulation yesterday. Calling your attention to the Scott Bakal stipulation, paragraph three. On August 3rd, Phil Bloom called Bakal to talk about concerns that Phil had with Sentinel customer Lake

Shore Asset Management. You may remember that their funds had been frozen at Sentinel by the government regulators, unrelated to this matter. Phil called Bakal because he was concerned about Sentinel's loan from the Bank of New York and obtaining adequate financing. Okay.

Sentinel was concerned on August 3rd about these matters. And later that day, Bakal requested and received Sentinel's financial statements and its Form ADV. Okay. So even though it was pointed out yesterday that Scott Bakal was only a tax attorney, he's the attorney the Blooms called when they wanted help with this problem. Right? What they won't do now to diminish his involvement and his role and to write him off only as a tax lawyer. He was the go-to guy, at least for the Blooms at that time. And he was gathering information.

The next day, Saturday, August 4th, attorney Bakal sent an e-mail, You should hold off taking any additional deposits until we get some of these issues worked out, even from existing customers. If any redemption requests come in, let me know. They may need to wait until you can confirm the NAV, the N-A-V, defined below as net asset value. It is essential that anything you tell people be 100 percent accurate. Better to say nothing if you can't give a 100 percent accurate answer.

Later then, that day and all the following days,

Mr. Bakal, the attorney, starts to gather more information. Right? He's not just shooting from the hip. He's not just giving unsolicited, unpractical -- impractical advice. He's gathering financial records, disclosure records, customer agreements. He has a discussion with the defendant and his father on the evening of Sunday, August 5th.

And Monday, August 6th, as was pointed out to you yesterday, the defendant continues to take tens of millions -- maybe more than a hundred million dollars from Sentinel customers. The wire transfers that are charged in the indictment in this case, the money coming in, are all transfers that happened this week, August 6th through the end of the week. Okay? There can be no doubt, ladies and gentlemen, that when these wire transfers happened, when these people were sending in tens of millions of dollars, Sentinel knew -- he knew -- that their money was at risk, grave risk.

Tuesday, August 7th, the attorney receives a leverage report, July 27th, 2007, leverage report. He's educating himself. The attorney is not just shooting from the hip. He understands the situation that Sentinel is in now. And on August 7th, recognizing the dire financial straits, he sends a letter to the defendant and his father and says, I need an advance retainer if I'm going to keep working for you because an asset freeze could be in your future. And if there's ever a danger sign that goes off to a cash manager, it's their

attorney saying your assets could be frozen. And what did the defendant do? Kept taking money from the customers.

The next day, August 8th, the attorney tells Phil Bloom, the situation is so bad, you need to shut down. Shut it down and call the regulators. Phil said no; I want to get a second opinion. That's okay. That's all right. People are entitled to second opinions. But what they're not entitled to do is to keep taking money from their customers, which is what they did. In the indictment you'll see wire transfers on August 8th and 9th and 10th. Okay? The defendant took money from these people knowing that it was not safe anymore.

Sentinel was not a victim of the credit crisis. Their scam and their scheme had been going on for years prior to that. The financial crisis did not cause the fraud. It cannot excuse the fraud. It merely exposed the fraud.

And then the August 13th letter, the non-redemption letter that the defendant sent out. You can read it for yourself. It essentially blames Sentinel's customers for joining in market panic. We had previously thought that the market would return to some semblance of order and that our clients would not join in the panic. Unfortunately that's not been the case. So now we can't meet any significant redemption requests.

How dare you blame these people whose money you're holding in trust for causing these problems. And I should

note that in this letter, the defendant says, We've been studying the liquidity crisis for the past several weeks. This is August 13th. The past several weeks. Yesterday it was suggested to you that this financial crisis came out of nowhere on the 9th and the defendant immediately shut down. No. Even according to this letter, they were studying these events in late July.

Until the inevitable happened: The Bank of New York called the loan. This is Government Exhibit 219 admitted by stipulation. August 17th, the bank said, guess what, you failed to pay the loan, we're taking your securities. And attached to this letter -- and you'll see it in the exhibits that you get -- was a list of 80 securities with a face value of more than $400 million. $400 million. That money didn't belong to him. It belonged to the customers. And the bank took it. They had a lawful right to because he put it in lienable accounts. Right? He had pledged it as security. There's nothing --

MR. CAMPBELL: I have to object. That's not what the stipulation said. They were not allowed to take it.

THE COURT: The objection is overruled. The jury will have the stipulation.

BY MR. HISTED:

This is not a hypothetical loss. We're not asking anybody to second-guess somebody else's judgment. The

defendant put this money at risk. Not a metaphysical risk. A real risk. And it's gone.

The defendant held Sentinel out as a fortress. Sentinel was a house of cards in a hurricane. That's what it was. And when things got hard, it blew away.

This case is very simple. A lot of the jargon has been hard to understand, but it's very simple. The wires, the wire transmissions that effectuated this scheme, that carried it out, are from July 30th, when the defendant got on the phone with Crystal York and set the rates. Okay. You have the call. Easy to understand. Once you -- if you come to the conclusion that they set the rates that day, all of the account statements dated July 30th are false. And they are false. That dispenses with the whole section of the wires.

The August 13th wires. Again, account statements. Again, false. The evidence has been that Sentinel on a daily basis every day, each and every day, set the account -- set the interest rates for its customers. And that's true for August 13th. And also on this day, customer securities were in lienable accounts. That was not disclosed to the customers. Okay. All those August 13th account statements, they are wires in furtherance of the scheme.

The scheme has been established; the scheme to impair and put their money at risk, the scheme to set the interest rates and the scheme to keep taking money in and to keep lying

to customers when you knew they couldn't keep it safe. That's the scheme. Find any one of those things and the scheme is established.

And the third section of wires are incoming wire transfers that came into Sentinel during that last week of its existence when it knew or should have known -- did know -- that it could not keep their customer funds safe.

And there's also one other count, which is a wire that was sent in from -- from a European customer.

Ladies and gentlemen, I'm done talking. We have proven this case beyond a reasonable doubt. It's in black and white in the documents. It's in the recordings. It's in the testimony. The recordings that are in the voice and in the words of that man sitting right there.

You're going to get a verdict form. And we're going to ask you to look at the documents, look at the evidence, examine it, examine the evidence with confidence because the evidence is there and it is sufficient and we want you to talk about it and study it and examine it and hold us to our burden, the burden that we've met. And then I'm asking you, each of you, to sign the verdict form and to come back in and let this man right here know that you have seen through the smoke. You know what he did. We're asking you to find him guilty.

(End of excerpt.)

* * * * *

I certify that the foregoing is a correct excerpt from the record of proceedings in the above-entitled matter.

/s/ Nancy C. LaBella *April 21, 2014*
Official Court Reporter